

Message Text

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TO SECSTATE WASHDC 6601

INFO AMEMBASSY LONDON

AMEMBASSY ROME

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C O N F I D E N T I A L SECTION 1 OF 2 VALLETTA 0025

E.O. 11652: GDS

TAGS: PINT, PFOR, MT

SUBJECT: MALTA - QUARTERLY POLITICAL/ECONOMIC REPORT

REF: 75 VALLETTA 1179 (DTG 071614Z OCT 75)

1. SUMMARY: THE POLITICAL/ECONOMIC SITUATION IN MALTA WAS RELATIVELY QUIET DURING THE FORTH QUARTER. ALTHOUGH THE ELECTION CAMPAIGN, IN EFFECT, ALREADY IS UNDEREAY, PRIME MINISTER MINTOFF DID NOT EVEN MENTION THE SUBJECT IN HIS END-OF-THE-YEAR TELEVISION AND RADIO BORADACST TO THE NATION. THE ELECTION IS NOW GENERALLY EXPECTED IN THE LATE SPRING OR EARLY SUMMER OF 1976. MINOTFF CONTINUES TO SEARCH FOR SOLUTIONS TO MALTA'S ENDEMIC ECONOMIC PROBLEMS, WITHOUT NOTICEABLE SUCCESS. BILATERAL U.S./MALTESE RELATIONS WERE ALSO QUIET DURING THIS QUARTER, BUT THE GOM COMPLETED THE
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COMMITMENT OF FUNDS UNDER THE USG FIVE MILLION

DOLLAR SUPPORTING ASSISTANCE LOAN BEFORE THE DECEMBER DEADLINE.

2. POLITICAL DEVELOPMENTS

1976 IS ELCTION YEAR IN MALTA. ALREADY AN EXTREMELY POLITICIZED PEOPLE, THE MALTESE WILL BECOME EVEN MORE SO DURING THE NEXT FEW MONTHS AS THE ELECTION CAMPAIGN MOVES INTO HIGH GEAR.

AS THE QUARTER ENDED, PRIME MINISTER MINTOFF MADE HIS ANNUAL TELEVISION AND RADIO BROADCAST TO THE NATION, IN WHICH HIS MAIN PURPOSE APPEARED TO BE THE ESTABLISHMENT OF A STATISTICAL BASIS FOR HIS FREQUENTLY REPEATED CLAIM THAT HIS LABOR GOVERNMENT HAS GIVEN MALTA GREATER ECONOMIC STABILITY AND PROGRESS, EVEN IN THE FACE OF WORLDWIDE RECESSION, THAN COULD HAVE BEEN ACCOMPLISHED BY THE OPPOSITION NATIONALIST PARTY.

HOWEVER, MINTOFF FAILED EVEN TO HINT AT A DATE FOR THE FORTHCOMING 1976 PARLIAMENTARY ELCTIONS IN HIS SPEECH, WHICH IS THE ONE SUBJECT THAT IS ON EVERY MALTESE MIND. UNDER THE MALTESE CONSTITUTION, ELECTIONS MUST BE HELD BY NOVEMBER 1976, BUT IT IS GENERALLY EXPECTED THAT MINTOFF WILL CALL AN ELECTION IN THE LATER SPRING OR THE EARLY SUMMER.

MINTOFF MADE ANOTHER OF HIS SELF-GENERATED TRIPS ABORAD IN DECEMBER, AS PART OF HIS CONTINUING EFFORTS TO ENHANCE HIS LOCAL IMAGE AS A "WORLD STATESMAN." THIS TIME HE WAS ABLE TO WANGLE "INVITATIONS" FROM FRENCH PRESIDENT GISCARD D'ESTAING AND GERMAN FOREIGN MINISTER GENSCHER, BUT STRUCK OUT IN HIS EFFORTS TO SEE PRIME MINISTER WILSON IN LONDON. IN PARIS AND BONN, MINTOFF DISCUSSED MALTA'S PROBLEMS WITH THE EUROPEAN COMMUNITIES AND THE INEVITABLY SUBJECT OF BILATERAL AID FOR THE MALTESE ECONOMY, BUT

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THE REPORT OF HIS TRIP MADE NO SIGNIFICANT IMPACT ON THE LOCAL POLITICAL SCENE IN THE FACE OF THE YEAR-END HOLIDAY SEASON.

EARLIER, IN NOVEMBER, THE PRO-MINTOFF MALTESE YOUNG SOCIALIST LEAGUE SPONSORED A HEAVILY PUBLICIZED CONFERENCE IN MALTA OF "SOCIALIST AND PROGRESSIVE YOUTHS" FROM THE MEDITERRANEAN REGION. IT TURNED

OUT TO BE LARGELY AN ANTI-ISRAELI, PRO-ARAB PROPAGANDA EXERCISE, WITH A FEW GRATUITOUS DIGS AT THE U.S. AND SOVIET MEDITERRANEAN FLEETS THROWN IN FOR GOOD MEASURE. THE STRONG PUBLIC REAFFIRMATION OF MINTOFF'S WELL-KNOWN PRO-ARAB POLICY WHICH THIS CONFERENCE EVOKED WAS ALSO REFLECTED IN SUBSEQUENT PARLIAMENTARY DEBATES CONCERNING MALTA'S SO-CALLED "NON-ALIGNED" VOTES AT THE U.S. GENERAL ASSEMBLY. AS USUAL, MALTA CONSISTENTLY VOTED AGAINST THE U.S. ON MOST SUBSTANTIVE ISSUES AT THE UN, DESPITE CONSIDERABLE DISSATISFACTION AMONG MANY MALTESE, AS WELL AS SPECIFIC OPPOSITION FROM THE NATIONALIST PARTY TO MINTOFF'S "NEUTRALIST" POLICIES.

PARLIAMENT IS IN RECESS FROM DECEMBER 23 UNTIL JANUARY 26, AND THE TEMPO OF THE PERENNIAL WEEKEND POLITICAL PARTY MEETINGS AND RALLIES SLOWED PERCEPTIBLY AS THE YEAR CAME TO A CLOSE. HOWEVER, THE LULL IS CERTAINLY TEMPORARY. THE NATIONALISTS CLAIM THEY ARE FULLY GEARED UP FOR THE FORTHCOMING ELECTION CAMPAIGN, AND THE LABORITES ARE ONLY WAITING FOR MINTOFF'S SIGNAL TO THROW DOWN THE GAUNTLET THEMSELVES. THE EARLY MONTHS OF 1976 IN MALTA ARE BOUND TO BE MUCH MORE POLITICALLY ACTIVE AS THE ELECTION COUNTDOWN BEGINS.

3. ECONOMIC DEVELOPMENTS

DESPITE AN IMPRESSIVE LIST OF CAREFULLY-CHOSEN STATISTICS CONTAINED IN MINTOFF'S NEW YEAR'S ADDRESS, ECONOMIC PROBLEMS CONTINUE TO BE THE SINGLE MOST IMPORTANT FACTOR ON THE MALTESE POLITICAL

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SCENE. THE JOINT PRESSURES OF INFLATION AND UNEMPLOYMENT REMAIN THE KEY THREATS TO LOCAL STABILITY, ALTHOUGH MALTA'S GEOGRAPHIC ISOLATION DID HELP TO SOFTEN SOME OF THE NEGATIVE EFFECTS OF INTERNATIONAL DEVELOPMENTS ON THE ISLAND'S ECONOMY DURING 1975.

HOWEVER, THE FACT REMAINS THAT NOT ENOUGH MALTESE HAVE PRODUCTIVE, LONG-TERM JOBS, AND MINTOFF HAS COME NO CLOSER TO ELIMINATING THIS PERENNIAL PROBLEM THAN HIS NATIONALIST PREDECESSORS. AS A RESULT, MINTOFF CONTINUES TO LOOK FAR AND WIDE FOR NEW FOREIGN INVESTMENT PROJECTS TO EXPAND MALTA'S SMALL INDUSTRIAL SECTOR, ESPECIALLY THROUGH JOINT VENTURES WITH THE GOM'S PARA-STATAL MALTA

DEVELOPMENT CORPORATION.

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C O N F I D E N T I A L SECTION 2 OF 2 VALLETTA 0025

IN NOVEMBER, MINTOFF ANNOUNCED TO PARLIAMENT THAT MALTA AND LIBYA HAD FORMED A JOINT HOLDING COMPANY FOR THE DEVELOPMENT OF FINANCIAL, INDUSTRIAL, COMMERCIAL AND FISHING PROJECTS IN MALTA. THE CAPITAL FUND OF THE NEW COMPANY IS TO BE TWO MILLION MALTESE POUNDS (APPROXIMATELY FIVE MILLION DOLLARS). ONE OF THE JOINT PROJECTS BEING CONSIDERED BY THIS COMPANY IS THE ESTABLISHMENT OF A SUGAR REFINERY IN MALTA, BUT LIKE MANY SUCH IDEAS LAUNCHED BY MINOTFF OVER THE PAST SEVERAL YEARS, IT WILL BE A LONG TIME BEFORE THERE IS ANY TANGIBLE EFFECT ON THE MALTESE ECONOMY--IF ANY--FROM THIS PLANNED VENTURE.

AFTER A FOUR-YEAR STRUGGLE, THE EUROPEAN

COMMUNITIES FINALLY REACHED A COMPROMISE IN DECEMBER
WITH MINTOFF'S "DEMANDS" FOR REVISIONS TO MALTA'S
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ASSOCIATION AGREEMENT WITH THE COMMON MARKET. THE
COMPROMISE INCLUDES INCREASED TARIFF CONCESSIONS
FOR MALTESE AGRICULTURAL EXPORTS, AS WELL AS AN
AID/GRANT PACKAGE OF SOME 26 MILLION UNITS OF
ACCOUNT OVER A FIVE YEAR PERIOD. ALTHOUGH TRUMPETED
HERE AS ANOTHER MALTESE "VICTORY" BY MINTOFF'S
LABOR SUPPORTERS, THIS CLAIM FAILS TO TAKE INTO
ACCOUNT THE FACT THAT VIRULENT INTERNATIONAL
INFLATION MAY HAVE MORE THAN EATEN UP THE DIFFERENCE
BETWEEN THE COMMON MARKET'S ORIGINAL OFFER OF
SEVERAL YEARS AGO, AND THE FINAL FIGURE FOUND
ACCEPTABLE BY MINTOFF. THERE ARE, AS YET, NO
KNOWN GOM PLANS FOR UTILIZING THE EC AID/GRANT
PACKAGE.

4. FOREIGN RELATIONS

THE MAJOR FOREIGN POLICY EVENT OF THE QUARTER
WAS THE DECEMBER 5-6 STATE VISIT TO MALTA BY
ITALIAN PRESIDENT GIOVANNI LEONE. ALTHOUGH MINTOFF
FERVENTLY SOUGHT THIS VISIT FOR HIS OWN DOMESTIC
POLITICAL ADVANTAGE VIS-A-VIS THE OPPOSITION
NATIONALIST PARTY, MINTOFF'S GAUCHE, ALMOST
INSULTING REJECTION OF THE PROTOCOL REQUIREMENTS
OF THE VISIT CAUSED RESENTMENT AMONG MANY MALTESE,
AS WELL AS AMONG THE VISITING ITALIAN DELEGATION.

WHILE THE VISIT WENT REASONABLY WELL AS FAR
AS ITALIAN/MALTESE BILATERAL RELATIONS WERE CON-
CERNED, MINTOFF'S INSISTENCE ON INTERJECTING HIS
SO-CALLED SPECIAL RELATIONSHIP WITH GADHAFI INTO
THE DISCUSSIONS AT EVERY TURN, INCLUDING
MINTOFF'S PROPOSAL FOR A THREE-WAY ITALIAN-MALTESE-
LIBYAN "CONNECTION" TO SOLVE MALTA'S ENDEMIC
ECONOMIC PROBLEMS, ANNOYED THE ITALIANS.

MINTOFF ALSO COULD NOT RESIST THE OPPORTUNITY
FOR A CHEAP SHOT AT HIS NATIONALIST OPPONENTS
DURING THE LEONE VISIT, WHEN HE INSISTED THAT
PRESIDENT MAMO MAKE A NUMBER OF INAPPROPRIATE
REMARKS ON DOMESTIC MALTESE POLITICAL MATTERS
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AT A CEREMONY AWARDING LEONE MEMBERSHIP IN THE
MATESE "SOCIETY OF HONOR." THE NATIONALISTS
REACTED BITTERLY TO THIS BRAZENLY PARTISAN MISUSE
OF THE AWARD CEREMONY, PROVOKING HEATED PARLIAMENTARY
EXCHANGES ON THE SUBJECT AFTER THE LEONE VISIT
WAS OVER.

IN ALL OF THIS, MINTOFF ONLY DEMONSTRATED AGAIN
HIS COMPLETE DISDAIN BOTH FOR HIS NATIONALIST
OPPONENTS, AS WELL AS ANY SEMBLANCE OF DIPLOMATIC
PROPRIETY IN HIS ACTIONS AS PRIME MINISTER.

THE NON-RESIDENT SOVIET AMBASSADOR TO MALTA,
WHO IS RESIDENT IN LONDON, MADE A RARE APPEARANCE
HERE OCTOBER 9-11 FOR THE OPENING OF A NEW
"MALTA-USSR CULTURAL CENTER." THERE WAS A MARKED
ABSENCE OF GOM MINISTERS AT THE CEREMONY, HOWEVER,
IN CONTRAST TO SIMILAR FUNCTIONS INVOLVING OTHER
EMBASSIES. MINTOFF CONTINUES TO STATE THAT HE
WILL NOT PERMIT THE RUSSIANS TO OPEN AN EMBASSY
IN MALTA, PROBABLY BECAUSE THIS WOULD CONSIDERABLY
DISPLEASE HIS RESIDENT FRIENDS, THE CHINESE.

THE GOM ESTABLISHED NON-RESIDENT DIPLOMATIC
RELATIONS WITH ADDITIONAL COUNTRIES DURING THE
QUARTER. MALAYSIA, MEXICO AND URUGUAY WERE ADDED
TO THE LIST IN THIS PERIOD.

5. BILATERAL RELATIONS

OFFICIAL U.S./MALTESE RELATIONS REMAINED QUIET
DURING THIS QUARTER, BUT MINOTFF CONTINUED TO PRESS
HARD FOR AN EARLY MEETING WITH SECRETARY KISSINGER.

THE GOM FINALLY COMPLETED THE PRELIMINARY STEPS
NECESSARY TO ASSURE THE FULL UTILIZATION OF THE
FIVE MILLION DOLLAR USG SUPPORTING ASSISTANCE LOAN
ORIGINALLY OFFERED IN 1972. THE REQUIRED LETTERS OF
COMMITMENT FOR THE ENTIRE AMOUNT OF THE LOAN WERE
REQUESTED FROM AID/W BEFORE THE DECEMBER 15
DEADLINE. THE EMBASSY WILL CONTINUE WORK
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CLOSELY WITH GOM OFFICIALS TO ASSURE THAT
CONTRACTING AND SHIPPING DEADLINES ARE MET FOR
THE EQUIPMENT ORDERED UNDER THE LOAN.

MALTA WAS INCLUDED IN THE LIST OF BENEFICIARY
COUNTRIES ELIGIBLE FOR U.S. GENERALIZED TRADE

PREFERENCES ANNOUNCED BY THE WHITE HOUSE ON
NOVEMBER 24. THE GOM WAS VERY PLEASED WITH THIS
USG ACTION.

THE GOM REMAINS DESIROUS OF THE EARLIEST
POSSIBLE ASSIGNMENT OF A NEW U.S. PEACE CORPS
VETERINARIAN TO REPLACE THE ONE PREVIOUSLY
ASSIGNED TO MALTA. RECRUTIMENT OF A QUALIFIED
REPLACEMENT WAS STILL UNDERWAY AS THE QUARTER
ENDED. SMITH

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